

Preparing for the Digitally Immersed Customer

Rapid advancements in technologies such as IoT, wearables and AI is changing consumer behavior and expectations. How can you prepare for the customer of the future?

By Tammy McInturff Appel



With the rapid advancement and deployment of technologies such as Internet of Things, wearables, and Artificial Intelligence (AI), new data is becoming available about consumers and their behavior—data that can be used to assess health and lifestyle related to insurance risk. At LOMA's Customer Service Conference, Tom Benton, a Vice President of Research and Consulting, Novarica, discussed how technology is changing customer expectations and also how technology can help us better serve our customers in the future.

“We are in a time of unprecedented technology change,” Benton said. “Big things are happening rapidly around us. Our customers today are connected in every way and they are fearless about the things they are asking for. Customers are creating content, making it increasingly difficult to control the content about your own company. Today technology not only serves to support the business but can also transform our business. The ability of technology to not only track but to also respond to customer behavior will disrupt customer expectations. Insurers need to be thinking about how they can prepare for the future of customer expectations in this new “digitally immersed” world.”

CHANGING CUSTOMER EXPECTATIONS

Earlier this year, Novarica published the “Novarica Nine” report, which covers factors that are affecting the insurance industry. Benton said the 2016 report found that, “new entrants are threatening to disrupt the insurance market by focusing on customer experience first, and business model second and that data and analytics is the most important issue for business users this year.”

“Companies like Zenefits, Hiscox, CoverHound, BOLT, and Oscar are shaking things up in health insurance and P&C,” Benton added. “On the life insurance side is PolicyGenius and others that are changing the way that insurers do business. Customer expectations are on the rise and at the same time customer patience has decreased. They are expecting more and more all the time from us. Today innovation needs to be about revolutionary change and making sure that we are ready for the future.”

According to Benton, having a digital strategy is critical. Today, data and analytics is important and of course data security is essential. “These are areas we have to excel in but today our customer experiences need to be as simple as possible for the customer so that in the minute that they decide they are ready to buy our product it is easy for them to do so,” he said. “In other words, we have to find ways to collapse the time it takes customers to take action and we can do that with the right technology.”

“The combination of device data, advanced analytics and AI is driving a change in customer behavior,” Benton said. “Massive amounts of data are enabling more quantification of equipment and people. Analytics and AI are starting to enable advanced responsive actions. The area of predictive analytics should be of particular interest to insurers. It is a very complicated area. However, we are not only dealing with process complexity today we are also dealing with increasing product complexity as our products are adding more features all the time as we try to address the changing needs of our customers.”

Customers want information when they want it and how they want it. They also want it to be easy to understand. “Customers will no longer tolerate things like quality issues, delays or poorly organized data,” Benton said.

Analytic capabilities are getting very complicated. “We have done a lot of work in the life insurance world on analytics for reporting, but not as much on predictive analytics yet and that is a more complicated area,” Benton said. “There are data scientists and specialists that look only at that subject and how to extract the most capability out of the analytics of our data. We also have complex channels today. It is more difficult to determine which channel to use for a particular customer than it used to be.”

Insurers see the importance of customer experience as growing but they are not always taking the right approach to enhancing the customer experience. Benton said many insurers look at customer experience as something that is going to be in their DNA or is going to be project based. “The technology side is not being considered when initiatives are being put together,” he said. “Many carriers are challenged by the what, when, where and how to improve the customer experience. Customers used to look at price and coverages and make a decision, which is what our world in life insurance is built around, building products that have the coverages that our customers need and pricing them competitively.”



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But what customers are looking for now is the experience of being covered; experience is very important now even in the life insurance industry. They are looking at how they are going to buy your product and the customer service that they can expect when they buy the product, for example: can they count on good claims service when the time comes that they need it and then they look at prices and coverages. So it is a flip in the orientation from how we viewed customer experience in the past because now the customer experience is the core of the product. If you don't believe me, ask a Millennial who is shopping for your products.”

EVOLUTION VERSUS REVOLUTION

According to Benton, some of the things that we are doing for customer experience in the industry in terms of technology are evolutionary. “Customer and agent portals, customer communication management, mobile capabilities and reporting-focused analytics are examples of evolutionary technologies. We are looking at data quality and integrating that data better into core systems and striving to get a 360-degree view of the customer so that we have a complete picture of the business they are doing with us,” Benton said. “Streamlining transactional capabilities is also evolutionary, looking at things like straight through processing and having systems that can handle transactions without having a lot of human interaction.”

“A revolution in our thinking is required to go into the future,” he added. “We have to think about things being demand led by the customer not by us approaching the customer but the customer coming to us and demanding the things that they want. Our customers want and need product design and channels that provide an excellent service experience. They are looking for experience and you have to figure out how you can deliver that profitably.”

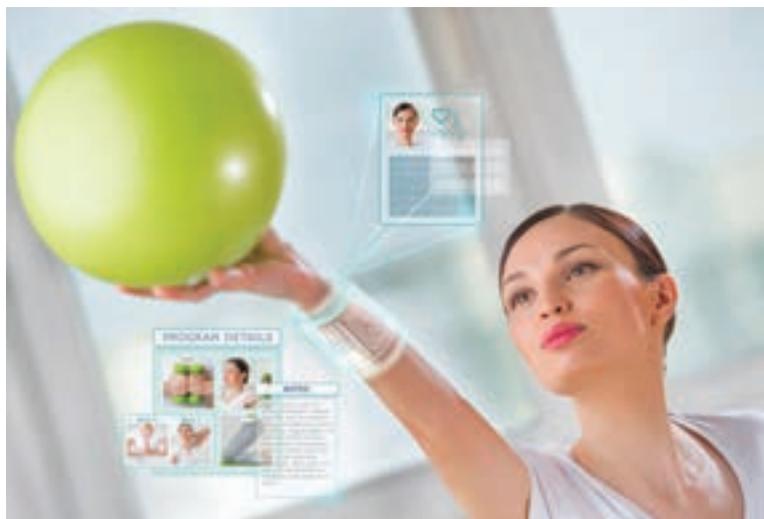
According to Benton, there is going to be a revolution ahead with technologies like wearables, IoT, predictive analytics, and artificial intelligence. “Artificial intelligence is going to take data and analytics and determine actions from that, making decisions based on the data,” said Benton. “That is a step up from predicting what will happen. In the future, we will also be delivering things through digital channels only; we will not have paper channels. We will also move

from multichannel to omni-channel, which means if you start your application on your phone and then prefer to finish the application on your laptop, you can do that. The technology will know where you are in the process and you can go from there. This is something that is not currently happening in customer service for most insurers but it is something that customers will be looking for as things become more revolutionary in our thinking.”

IOT, WEARABLES AND AI

Right now not many insurance carriers are using IoT, wearables and AI. Benton gave attendees a glimpse into the future of how these technologies are going to be used by consumers. “The consumer market for IoT and wearable devices has grown rapidly over the last couple of years,” he said. “Leading insurers will be looking for ways to leverage the data available from these technologies to improve operations and better engage customers. The insurance industry needs to prepare for future changes in customer behavior and expectations. Now is the time to start planning for broader adoption of IoT technologies over the second half of this decade.”

There are several ways that information from wearable devices can change the way insurers do business. “One way is by enabling dynamic pricing for life and benefits insurance just as John Hancock did with its partnership with Vitality,” Benton said. “The idea of this partnership was to integrate life insurance with a comprehensive wellness program for U.S. consumers. The program offers potential savings and rewards to encourage policyholders to take steps to improve their health. The program uses data from fitness trackers to help track the policyholder's progress.”



The future of IoT and wearables is arriving for insurers. “While IoT and wearable device application has been mostly experimental so far, insurers need to prepare for the likely changes in consumer behavior that these devices will bring,” Benton added. “Robots, Jetpacks, 3D printed food, drones, smart shoes, holograms, smartwatches, self-driving cars, smart home technologies are just some of the technologies that are already around now and have the potential to change our industry. Imagine all of the data that is being collected from these devices and stored.”

Smart home technologies are growing in popularity. Technologies like smart thermostats, smart door locks and smart plugs that can determine whether you turn something on or off are becoming more and more common. These technologies are available now. They are going to change the way consumers look at things. American Family and State Farm both offer discounts for using Nest thermostats.”

CURRENT CHALLENGES

There are some challenges and issues affecting current adoption of these devices. “Security is one issue,” Benton said. “They commonly depend on WiFi and Bluetooth which if they are using unencrypted versions are fairly easy to hack. Data breaches have become more common. One of the problems we are seeing is that there are multiple platforms and standards. There are competing standards and there is not a lot of interoperability between these devices. Regulation is going to be important. If we are using these devices to track and monitor conditions in individuals, we are going to have to deal with regulation and make sure that we are following the regulations to keep their information private. Adoption is also a challenge. Two years ago fitness tracker wearables really took off in sales but the excitement faded after a few months and many people stopped using the device.”

THE FUTURE

In the future, sensors are going to get more accurate. “You are going to see sensors that are in formats like a temporary tattoo or that can be embedded under your skin,” Benton said. “These actually exist today but they are just not as common in the consumer world as they will be as time goes on. In the future we are going to have better data models, better analytics and better predictions using AI. Notifications are replacing applications. In the past, we were enamored with all the apps that we could download but that has evolved into notifications. You don’t really have to go and pull up an app anymore to learn some of the things that you need to know.”



In the future we are likely to see more interest in the concept of the Quantified Self. “The idea is if you quantify yourself you can get a lot of data about your health and fitness that you can analyze,” Benton said. “If given enough data across enough individuals we should be able to look for trends and develop rules that AI can use to make predictions and make actions based on that.”

In the late 1990s and early 2000s there was a lot of talk about how digital natives think differently and learn differently because they grew up with the Internet. “The next generation is going to be ‘digital immersed;’ as they grow up with notifications telling them about the world around them,” Benton said. “The next generation is going to grow up with sensors picking up everything from temperature and humidity in their house to what kind of motion they have had from their wrist wearable, to maybe imbedded information about their blood chemistry. They are going to grow up in a world where they are going to expect everything around them to interact with them. Artificial intelligence is going to make decisions for them. They will have a different way of learning and a new view of what the customer experience is going to be about. Is your company ready for that? I don’t think that many insurers are but companies like Google, Facebook, Apple and Amazon are thinking about this kind of stuff.”

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There are insurance implications because there is going to be more data available and more ways to analyze that data. “Things that we only guess at today, analytics are promising to tell us about in the future,” Benton said. “There are already attempts to look at data and use that for underwriting and some have been fairly successful. Customer engagement is going to be very important in the future. It is not just enough to provide a customer experience; you want your customer to be engaged with you and working with you. Customer expectations are going to be higher. They are not just going to expect to get the data that they want when they ask for you for it; they are going to expect it to come to them when they want it and when they need it. We are already going from documents to digital channels but in the future we are going to send personalized notifications so that we can engage with our customers.”

How should we approach the future? “It is not about putting new technologies in place because they are cool,” Benton said. “We need to think about how customers want to experience buying our products and services as new needs come up. Take an outside in approach instead of an inside out approach. Roadmapping for the future will be essential, thinking about what we need and then taking action. Planning ahead is going to be important. There is no more “done” in customer experience. It is going to be continuous improvement. Choose partners that are going to be involved. Ask your vendors about their roadmap for the future and how they are going to address the new generation coming along. Understand that IT is an operating expense; it is not overhead. We are in an information business; the technology that we use to enable that information is important. We need to go from evolution to revolution in our thinking.”

ABOUT NOVARICA

Novarica helps more than 80 insurers make better decisions about technology projects and strategy through retained advisory services, published research, and strategy consulting. Its clients include more than 80 property/casualty and life/annuity insurers. Novarica’s research covers trends, best practices, and vendors, leveraging relationships with more than 300 insurer CIO members of its Research Counsel. Its consulting services focus on vendor selection, custom benchmarking, project checkpoints and IT strategy. ❖

About Tom Benton

Tom Benton is a Vice President of Research and Consulting at Novarica with expertise in IT strategy, business process reengineering, core systems implementation and project...management, primarily for life and annuities. Prior to joining Novarica, he served as VP, Technology and Systems at Navy Mutual, where he led a multi-year strategy to transform the core systems, which included a rapid-deployment Policy Administration System implementation. Tom has broad experience as a senior IT executive, serving as CIO/CTO at two medium-sized non-profits in the Washington, DC area, and has held positions in IT project management at PG&E and General Electric.

LOMA CUSTOMER EXPERIENCE CONFERENCE

Each and every day, customers expect more from the companies they choose to deal—or not deal—with. It’s no longer enough to provide good customer service; it is imperative to provide a top-class customer experience. The Customer Experience Conference takes place March 29-31, 2017 at the Red Rock Casino Resort Spa in Las Vegas, Nevada.

The 2017 Customer Experience Conference (formerly the Customer Service Conference) will take attendees beyond simple customer service into the ever-evolving world of customer experiences. Featuring an exceptional lineup of speakers that include The Success Doctor™, Dr. Shirley Davis, C.S.P, SPHR and internationally renowned speaker, author, and organizational consultant Joseph Michelli, Ph.D., C.S.P., along with compelling topics, interactive presentations and panel sessions, the event is carefully designed to examine new strategies and technologies that will enable your company to leverage the best information, strategies, and tactics that can be implemented immediately to improve your customers’ experience and build deeper customer loyalty.

The Customer Experience Conference will probe topics like Omni-channel customer experience, next-gen customer engagement, improving the customer experience with cognitive technologies and human capital strategies.

Learn more at www.loma.org/cxconf.

digital content and social engagement initiatives. In her new role she will also be responsible for managing the deployment of the MassMutual brand strategy throughout all channels, as well as in the company's community engagement efforts.

Pacific Life

Pacific Life Insurance Company has announced updates to its executive leadership team: **Adrian Griggs**, previously executive vice president and chief financial officer (CFO), has been appointed chief operating officer. Effective March 2017, **Darryl Button** will join Pacific Life from Aegon N.V., a multinational life insurance, pensions and asset management company, to serve as chief financial officer. **Carol Sudbeck**, senior vice president, corporate, has been appointed chief administrative officer.

In his new role effective January 1, 2017, Griggs will be responsible for leading efforts to enhance the coordination of the company's Life Insurance Division and Retirement Solutions Division. Button will oversee the corporate finance and accounting organizations as well as the audit function, enterprise risk management, and business development units. Effective January 1, 2017, Ms. Sudbeck will oversee all non-financial corporate areas, including legal, human resources, facilities, corporate information technology, brand management, and public affairs.

Pan American

Pan-American Life Insurance Group (PALIG), a leading provider of insurance and financial services throughout the Americas, announced that **Daniel Costello** is joining the Group as Senior Vice President – International Country Management. In this capacity, Mr. Costello will have direct oversight for all of Pan-American Life's operations in Latin America. He will also join the company's Executive Management Committee.

In addition, Pan-American announced that **Greer Quan** has been promoted to Managing Director – Caribbean. Ms. Quan, who joined the company as Chief Operations Office.

Securian

Securian Financial Group has hired two senior marketing leaders as the 136-year-old financial services company accelerates its focus on customer centricity.

Ann Pilon McGarry joins Securian as second vice president for enterprise marketing, a newly-created position reporting to Sid Gandhi, Securian's chief strategy and customer engagement officer.

Elda Macias joins Securian as director of segment marketing, reporting to McGarry. Holding another newly-created position, Macias will lead the customer segmentation and insights component of Securian's enterprise marketing strategy.

Standard

Standard Insurance Company ("The Standard") announced that **Todd Statczar** has been named assistant vice president of Retirement Plans Actuarial and Finance.

In his new role, Statczar will lead the Retirement Plans actuarial, finance and defined benefit teams. He'll also have responsibility for the product development, planning and risk management for the Retirement Plans business line.

Symetra

Symetra Life Insurance Company named **Joel C. Kneisley** as senior vice president and chief information officer (CIO). Kneisley was promoted from his current role as vice president, Information Technology. He continues to report to Symetra Chief Financial Officer Margaret Meister, who has served as interim CIO since June 2014.



KNEISLEY

Kneisley will assume oversight of Symetra's technology strategy, team and operations, with responsibility for the ongoing development of Symetra's long-term information technology (IT) and digital roadmap. This encompasses the company's IT systems architecture, business applications and cybersecurity. Prior to joining Symetra in 2011, Kneisley held senior IT management positions at Microsoft, Cloud Wise Consulting and Fox Software. ❖



Top Student Global & Eastern: **Ms. Siew Mun** from AIA Shared Services (L) receives the 2016 LOMA Top Student Award (FLMI) – Global & Eastern, from **Mr. Bosco Lau** of LOMA-LIMRA.